

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020 SESSION

BAC1614 – FUNDAMENTALS OF FINANCIAL ACCOUNTING (All Section / Groups)

16 OCTOBER 2019
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 8 pages excluding cover page with 4 Questions only.
2. Attempt ALL questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided

QUESTION 1

The following trial balance was extracted from the books of Suzy Berhad as at 31 December 2018.

	Debit RM	Credit RM
Cash and Bank Balances	395,000	
Account Receivable	35,000	
Supplies	26,300	
Account Payable		51,500
Inventory, 1 Jan	84,200	
Short-term Investment	120,000	
Buildings	490,000	
Accumulated Depreciation -Buildings		12,250
Motor Vehicles	106,000	
Accumulated Depreciation – Motor Vehicles		21,200
Copyrights	150,000	
Allowance for Doubtful Account		1,300
8% Bond payables, 10 Years		200,000
Share Capital-Ordinary		800,000
Retained Earnings, 1 Jan		270,000
Dividends	135,000	
Prepaid Insurance	15,600	
Salary and Wages	194,000	
Rental Received		36,000
Purchase and Sales	480,000	960,000
Return Inwards	6,800	
Discounts	2,700	3,100
Carriage Inwards	6,200	
Utilities Expense	5,300	
Other Operating Expenses	103,250	
	<u>2,355,350</u>	<u>2,355,350</u>

Additional Information:

1. The closing inventory as at 31 December 2018 was valued at RM35,900.
2. Supplies on hand at the end of financial year totalled RM6,700.
3. The cost of expired insurance for the financial year is RM7,800.

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4. The December utilities expense of RM700 is not included because the bill arrived after the trial balance was prepared. The RM700 amount owed needs to be recorded.
5. Allowance for doubtful accounts amounting to 5% of account receivable has to be provided.
6. Depreciation is to be provided as follows:
 - a) The building is being depreciated using the straight line method over 40 years.
 - b) The motor vehicle is being depreciated at 10% using the straight line method.
7. The copyright was acquired on 1 January 2018 and has a useful life of 10 years from that date.
8. The company has not paid interest on bond payable for the year.
9. A payment on account of RM840 to a creditor was debited to account payable RM480 and credited to cash RM480. This error has not been adjusted in the book of Suzy Berhad.

Required:

- (i) Prepare the statement of profit or loss for the year ended 31 December 2018.
(10 marks)
- (ii) Prepare the retained earnings statement for the year ended 31 December 2018.
(3 marks)
- (iii) Prepare the statement of financial position as at 31 December 2018.
(12 marks)

[Total 25 marks]

Continued...

QUESTION 2**Part A**

The following information is available to reconcile Azami Company's book balance of cash with its bank statement cash balance as at 31 July 2019.

1. On 31 July, the company's cash account has a RM26,193 debit balance, but its July bank statement shows a RM28,020 cash balance.
2. Cheque No. 3031 for RM1,380 and Cheque No. 3040 for RM552 were outstanding on the 30 June bank reconciliation. Cheque No. 3040 is listed with the July canceled cheques, but Cheque No. 3031 is not. Also, Cheque No. 3065 for RM336 and Cheque No. 3069 for RM2,148, both written in July, are not among the canceled cheque on the 31 July statement.
3. In comparing the canceled cheque on the bank statement with the entries in the accounting records, it is found that Cheque No. 3056 for July rent was correctly written and drawn for RM1,250 but was erroneously entered in the accounting recorded as RM1,230.
4. A credit memorandum enclosed with the July bank statement indicates the bank collected RM9,000 cash on a non-interest bearing note for Azami, deducted a RM45 collection fee, and credited the remainder to its account. Azami had not recorded this event before receiving the statement.
5. A debit memorandum for RM805 lists a RM795 NSF cheque plus a RM10 NSF charge. The cheque had been received from customer, Jimmy Shawn. Azami has not yet recorded this cheque as NSF.
6. Enclosed with the July statement is a RM15 debit memorandum for bank services. It has not yet been recorded because no previous notification had been received.
7. Azami's 31 July daily cash receipts of RM10,152 were placed in the bank's night depository on that date. But do not appear on the 31 July bank statement.

Required:

- (i) Prepare the bank reconciliation for this company as at 31 July 2019.
(9 marks)
- (ii) "The use of bank contributes significantly to good internal control over cash". Is this true? Briefly explain why?
(3 marks)

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Part B

Shelton Distribution markets CDs of numerous performing artists. At the beginning of March, Shelton had the beginning inventory 2,500 CDs with a unit cost RM7. During March, Shelton made the following purchases of CDs:

March 3	2,000 @ RM8
March 13	3,500 @ RM9
March 21	5,000 @ RM10
March 26	2,000 @ RM11

During March, 12,200 units were sold and 200 units were returned back to Shelton. Shelton uses a periodic inventory system.

Required:

- (i) Determine the cost of goods available for sale.
(3 marks)
- (ii) Determine the ending inventory and the cost of goods sold under each of the assumed cost flow methods:
 - a) FIFO.
(4 marks)
 - b) Average cost (Round cost per unit to three decimal places).
(4 marks)
- (iii) Briefly explain when it is necessary to estimate inventories.
(2 marks)

[Total 25 marks]

QUESTION 3**Part A**

At the beginning of the current period, Seng Hoe Sdn. Bhd. had balances in Account Receivable of RM200,000 and in Allowance for Doubtful Account of RM9,000 (credit). During the period it had net credit sales of RM800,000 and collection of RM763,000. It wrote-off as uncollectible accounts receivable of RM7,300. However, a RM3,100 account previously written off as uncollectible was recovered before the end of the current period. Uncollectible accounts are estimated to total RM25,000 at the end of the period (Omit cost of goods sold entries)

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Required:

- (i) Prepare journal entries to record sales and collections during the period (omit explanation).
(2 marks)
- (ii) Prepare journal entries to record the write-off and recovery of the uncollectible accounts during the period (Show all workings).
(3 marks)
- (iii) Determine the bad debts expenses for the period and prepare journal entries to record the bad debts expenses for the period (Show all workings).
(3 marks)
- (iv) Show the amount of net realizable value of the receivables reported in the Statement of Financial Position at the end of the period (Show all workings).
(5 marks)

Part B

On September 30, 2018, the UNIS Sdn. Bhd. exchanged old delivery equipment and RM24,000 cash for new delivery equipment. The old delivery equipment was purchased on January 1, 2016 for RM84,000 and was estimated to have a RM12,000 residual value at the end of its 5-year life. Depreciation on the delivery equipment has been recorded through December 31, 2017. It is estimated that the fair value of the old delivery equipment is RM39,000 on September 30, 2018.

Required:

- (i) Prepare the journal entries to record the above transactions for UNIS Sdn. Bhd. which has a calendar year end and uses the straight-line method of depreciation for the year 2018. (Show all workings)
(4 marks)
- (ii) Based on the above information, assume that UNIS Sdn. Bhd. uses the declining balance method, determine the amount of depreciation updated for the year 2018. (Show all workings)
(4 marks)

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- (iii) Briefly explain the different methods of depreciation on property, plant and equipment with respect to the computation of depreciation per period and total depreciation over the life of the asset.

(4 marks)

[Total 25 marks]

QUESTION 4

Part A

WTC Berhad issued 14%, 5-year bonds with a par value of RM 5,000,000 on January 1, Year 1. Interest is to be paid semiannually on each June 30 and December 31. The bonds are issued at RM 5,368,035 cash when the market rate for this bond is 12%.

Required:

- (i) Prepare the journal entry to record the issuance of the bonds on January 1, year 1.
(2 marks)
- (ii) Assume that WTC Berhad uses the effective interest rate method of amortization of any discount or premium on bonds. Prepare the journal entry to record the first semiannual interest payment on June 30, Year 1.
(4 marks)
- (iii) Show how the bonds would be reported on WTC Berhad's Statement of Financial Position at January 1, Year 2.
(4 marks)

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Part B

Summary information from the financial statements of two companies competing in the same industry as follows:

Statement of Financial Position as at 31 December 2018

	<u>Lazada Company</u>	<u>Shoppe Company</u>
	RM	RM
Assets		
Cash	18,500	33,000
Accounts receivable (net)	38,400	58,400
Notes receivable	10,100	8,200
Inventories	83,440	131,500
Prepaid expenses	5,000	6,950
Property, Plant and Equipment (net)	290,000	304,400
Total assets	<u>445,440</u>	<u>542,450</u>
Liabilities and Equity		
Current liabilities	61,340	91,300
Long-term notes payable	80,800	103,000
Share capital-Ordinary, RM5 par	190,000	216,000
Retained earnings	113,300	132,150
Total liabilities and equity	<u>445,440</u>	<u>542,450</u>

Statement of Profit or Loss for the year ended 31 December 2018

	<u>Lazada Company</u>	<u>Shoppe Company</u>
	RM	RM
Sales	780,000	890,200
Cost of goods sold	575,100	622,500
Interest expense	7,800	13,300
Income tax expense	14,900	24,000
Net income	<u>182,200</u>	<u>230,400</u>
Basic earnings per share	RM4.51	RM5.11

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Beginning-of-year balance

	<u>Lazada Company</u>	<u>Shoppe Company</u>
	RM	RM
Accounts receivable (net)	30,800	55,200
Notes receivable	0	0
Inventory	54,600	106,400
Total assets	398,000	382,500
Share capital-Ordinary, RM5 par value	190,000	216,000
Retained earnings	88,300	83,600

Required:

(i) Compute the following ratios for both companies:

1. Current ratio
2. Acid-test ratio
3. Accounts receivable turnover
4. Inventory turnover
5. Days' sales in inventory
6. Profit margin
7. Total asset turnover
8. Return on total assets
9. Return on Shareholders' equity

(9 marks)

(ii) Identify the company you consider to be better in term of short-term liquidity and briefly explain why.

(3 marks)

(iii) Identify which company would you recommend as the better investment and briefly explain why.

(3 marks)

[Total 25 marks]

End of paper